

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1839 (PCB AP 04-05) Surplus Lines Tax
SPONSOR(S): Appropriations; Brummer
TIED BILLS: **IDEN./SIM. BILLS:**

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR |
|--------------------------|------------------|----------------|----------------|
| 1) <u>Appropriations</u> | <u>34 Y, 0 N</u> | <u>Belcher</u> | <u>Baker</u> |
| 2) _____ | _____ | _____ | _____ |
| 3) _____ | _____ | _____ | _____ |
| 4) _____ | _____ | _____ | _____ |
| 5) _____ | _____ | _____ | _____ |

SUMMARY ANALYSIS

HB 1839 amends sections 626.932 and 626.938, Florida Statutes, to change the distribution of taxes collected on premiums for surplus lines insurance. The proposed change eliminates the distribution of any portion of the tax to the Insurance Regulatory Trust Fund and directs the deposit of all taxes collected under these sections into the General Revenue Fund.

This is a conforming bill for the proposed 2004-2005 General Appropriations Act. The bill redirects \$29.5 million into the General Revenue Fund. To accommodate this change, the proposed General Appropriations Act then funds \$27.3 million of budget previously related to the Insurance Regulatory Trust Fund from the General Revenue Fund.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h1839.ap.doc
DATE: March 29, 2004

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. EFFECT OF PROPOSED CHANGES:

Present Situation:

Surplus lines insurance refers to a high risk category for which there is no market available through standard insurance carriers. Typical categories of this nature are homeowners' insurance in hurricane-prone regions, commercial aircraft, and some sea vessels. Florida law provides stringent qualifications for agents who insure surplus lines; those agents must be registered with the Department of Financial Services.

Currently, there is a 5% tax on premiums for surplus lines. The proceeds of the surplus lines taxes collected under sections 626.932 and 626.938, Florida Statutes, are distributed to the Insurance Regulatory Trust Fund (24.3%) and to the General Revenue Fund (75.7%). The Insurance Regulatory Trust Fund provides partial funding to the department for its administrative and regulatory functions.

Effect of Proposed Changes:

The bill reallocates the distribution of taxes collected pursuant to sections 626.932 and 626.938, Florida Statutes. The bill directs 100% of the taxes to be deposited into the General Revenue Fund, and none of the taxes collected under those sections to be deposited into the Insurance Regulatory Trust Fund.

It is estimated that the new distribution schedule will deposit an additional \$29.5 million into the General Revenue Fund during FY 2004-2005.

C. SECTION DIRECTORY:

Section 1. Amends s. 626.932, Florida Statutes, to direct deposit of all, rather than a percentage, of surplus lines taxes collected by this section into the General Revenue Fund, and deletes the direction of a percentage of the taxes into the Insurance Regulatory Trust Fund.

Section 2. Amends s. 626.938, Florida Statutes, to direct deposit of all, rather than a percentage, of surplus lines taxes collected by this section into the General Revenue Fund, and deletes the direction of a percentage of the taxes into the Insurance Regulatory Trust Fund.

Section 3. Amends s. 624.523, Florida Statutes, to delete references of deposits to the Insurance Regulatory Trust Fund under sections 626.932 and 626.938, Florida Statutes.

Section 4. The bill is effective July 1, 2004.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Increases general revenue receipts by the same amount that trust fund receipts are reduced.

2. Expenditures:

Increases general revenue expenditures by the same amount that trust fund expenditures are reduced.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

D. FISCAL COMMENTS:

It is estimated that this bill will prevent the deposit of \$29.5 million annually into the Insurance Regulatory Trust Fund to the benefit of the General Revenue Fund. The increase in tax proceeds from surplus lines insurance is expected to remain relatively constant, thereby providing an increasing deposit into the General Revenue Fund. This is a conforming bill for the proposed 2004-2005 General Appropriations Act. To accommodate this change, the proposed General Appropriations Act funds \$27.3 million of budget previously related to the Insurance Regulatory Trust Fund from the General Revenue Fund.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not effect municipal or county governments.

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES